

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SP-02 USIA-06 AID-05 EB-07  
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01  
L-03 H-01 CIAE-00 COME-00 EA-07 FRB-03 INR-07  
IO-13 NEA-10 NSAE-00 OPIC-03 LAB-04 SIL-01  
AGRE-00 PA-01 PRS-01 FEAE-00 /115 W  
-----001648 201743Z /53

P R 201706Z JUL 77  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC PRIORITY 1107  
INFO AMEMBASSY LISBON  
AMEMBASSY PARIS

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USOECD

E.O. 11652: N/A  
TAGS: EGEN, PFOR, EFIN, ENRG, SP  
SUBJECT: MORE ON PRICE CONTROLS, OTHER ECONOMIC MEASURES

REF: MADRID 5454

1. SUMMARY: THE PRICE CONTROL MEASURES ANNOUNCED TUESDAY (SEE REFTEL) SO FAR AMOUNT TO LITTLE MORE THAN A STATEMENT OF THE GOVERNMENT'S INTENTION TO MONITOR PRICES. TO EVERYONE'S SURPRISE GASOLINE PRICES WERE NOT RAISED TUESDAY EVENING, ALTHOUGH THE RISE IS NOW EXPECTED AFTER SATURDAY'S COUNCIL OF MINISTERS MEETING. THIS CABINET MEETING IS ALSO EXPECTED TO PRODUCE OTHER ECONOMIC ANNOUNCEMENTS ALTHOUGH SOURCES TELL US THAT DEBATE CONTINUES WITHIN THE CABINET ON WHAT THE MEASURES WILL BE. END SUMMARY.

2. NOW THAT WE HAVE THE FULL TEXT OF THE GOVERNMENT'S TUESDAY DECREE ON EXPANDED PRICE CONTROLS, WE FIND IT  
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SURPRISINGLY LACKING IN DETAIL. AS REPORTED IN REFTEL, IT SIMPLY ORDERS THAT INCREASES IN PREVIOUSLY NON-REGULATED PRICES BE LIMITED TO WHAT CAN BE JUSTIFIED BY INCREASED COSTS. COSTS ARE NOT DEFINED, AND NO PENALTIES FOR EXCESSIVE PRICE RISES ARE ESTABLISHED. ALTHOUGH THE DECREE CAN BE EXPANDED BY IMPLEMENTING INSTRUCTIONS, IT DOES NOT APPEAR THAT IT WILL DO

MUCH TO REDUCE THE SPANISH WAGE/PRICE SPIRAL.  
INSTEAD IT SEEMS AIMED AT JAWBONING THE UNJUSTIFIED  
PRICE HIKES THAT FOLLOW PESETA DEVALUATIONS, AND  
AT ESTABLISHING A FOUNDATION FOR THE FURTHER  
STRENGTHENING OF PRICE CONTROLS.

3. TO THE SURPRISE OF EVERYONE - INCLUDING THE  
MANY SPANIARDS WHO FORMED LONG LINES AT SERVICE  
STATIONS TUESDAY EVENING - GASOLINE PRICES DID NOT  
INCREASE AT MIDNIGHT TUESDAY. THE GOVERNMENT HAS NOT  
COMMENTED, BUT THE INACTION APPEARS TO BE RELATED TO  
THE LAST-MINUTE POSTPONEMENT OF TUESDAY'S COUCNCIL OF  
MINISTERS SESSION. ENERGY PRICE RISES ARE NOW  
EXPECTED FOLLOWING SATURDAY'S SESSION.

4. THE TUESDAY CABINET MEETING CANCELLATION FOLLOWED  
MORNING DISCUSSIONS OF THE CABINET ECONOMICS TEAM,  
AND MINISTERS WERE NOTIFIED BY TELEX OF THE POST-  
PONEMENT. WE ARE TOLD THE DELAY WAS NECESSARY BECAUSE  
THE ECONOMIC AGENDA COULD NOT BE AGREED TO AS FAST  
AS ORIGINALLY PLANNED. AT ANY RATE GOS ECONOMIC  
LEADERS CONTINUE TO MEET CONSTANTLY AND TO PUT IN LONG  
HOURS, AND ALTHOUGH DEISAGREEMENTS ARE APPARENT  
INSIDERS EXPECT QUICK ACTION ON FURTHER ECONOMIC  
MEASURES. STABLER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, PRICE CONTROLS, ECONOMIC PROGRAMS  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 77 MADRID 5454  
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**Review Release Event:** n/a  
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**Subject:** MORE ON PRICE CONTROLS, OTHER ECONOMIC MEASURES  
**TAGS:** EGEN, PFOR, EFIN, ENRG, SP  
**To:** STATE  
**Type:** TE  
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